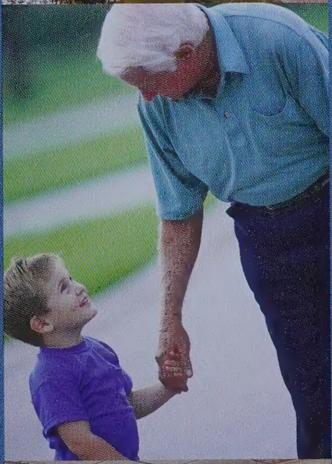
THE ARCH OF EXPERIENCE



CPAC (Care) Holdings Ltd.
Annual Report 2002

PRESIDENT'S MESSAGE

"All experience is an arch, to build on." Henry James

Dear Fellow Shareholders - It is my pleasure to report to you our activities during Fiscal 2001. It has been a year of steady growth for our Company in spite of, or perhaps in part as a result of, a turbulent economic climate and a number of striking international events which have for many of us caused a re-examination of the importance of family values and the part we wish them to play in the way we live our lives.

CPAC's performance in 2001 clearly demonstrates both a continued and a growing strong demand for our facilities, and our services from public and private sectors, and the depth of knowledge and core competency of CPAC's organization.

Excellent progress has been made against a number of important developmental and strategic objectives during fiscal 2001. Through a growing realization that Retirement Living need not always be associated with Governmental care programs and funding, the entire landscape of the Retirement Lifestyle industry is changing in a positive manner, and we continue to play a major and leading role in forwarding and building upon that growth.

To that end, we're proud to be a founding Director and charter member of BCRCA, or "British Columbia Retirement Communities Association" - a new and important organization whose purpose is to further both public and Government understanding of the role our Communities play in society, and to enrich the business environment for developers and operators.

This year has forwarded our long-term commitment to solid growth - building Company strength based on a foundation of real market value - molding "bricks and mortar" into operating facilities and tangible assets. In the face of an undervalued stock and low market capitalization, the real market value of our Company, based on a calculation of assets over cost, continues as an accurate indicator of the true value of our Company.

In addition to current facility expansion programs - such as the successful development, on-track-to-open in October, 2002, of Langley Gardens at Village Square - we are currently defining new opportunities in Downtown Vancouver and the Lower Mainland, pioneering Joint Ventures with property owners, and are further planning expansion for a number of our existing Communities. As each new development becomes operational, it exponentially enhances the real market value of our Company.

We have also continued to improve efficiency through systems/operational enhancements and infrastructure refinements. Our accomplishments have provided a foundation for a sense of enthusiasm and confidence entering fiscal 2002, and have resulted in recognition on a number of fronts, including our placement at number seventy-six on Business in Vancouver's list of the "Top 100 B.C. Public Companies," in June of 2002.

We're focused on providing effective solutions to our markets' most critical demands both in the creation of innovative purpose-built Communities and the adaptation of existing facilities to provide our proven Continuum of Care programs.

As hospitals and care facilities close or downsize and communities search for ways to provide sustainable, community-based services, CPAC is working closely with regional Health Authorities and the private sector to develop facilities which will meet their evolving needs.

Our continued success would not be possible without the efforts of our associates, and we thank them for their hard work this past year. We also thank our business partners, shareholders and our residents for their loyalty and continuing support.

We are continuing to implement a strong strategic and operational plan, one which builds on the foundation of the real market value of our operations and solidly positions CPAC as a leader in our industry, capitalizing on the abundant growth opportunities at hand as a result of our industry's evolution. I look forward to reporting to you on that growth in Fiscal 2002 and beyond.

Mr. Don H.C. Ho
President and Chief Executive Officer
CPAC (Care) Holdings Ltd.

CPAC (Care) Holdings Ltd.
Annual Report 2002

CONTENTS

CPAC (Care) Holdings Ltd.
Management's Discussion and Analysis - March 31, 2002
The following discussion and analysis must be read in conjunction with the Consolidated Financial Statements and the Notes thereto.

Overview

CPAC (Care) Holdings Ltd. is engaged in the business of developing, acquiring, owning and operating retirement communities and senior care facilities.In the past three years, the Company expanded its operations considerably through acquiring existing senior care facilities and developing new retirement communities. The Company currently owns and operates five retirement facilities located in the Province of British Columbia. These facilities are Crescent Gardens in South Surrey, Malaspina Gardens in Nanaimo, Arranglen Gardens in Qualicum Beach, Carlton Gardens in Burnaby, and a one half interest in Langley Gardens in Langley.

Following the successful completion of Langley Gardens project in the fall of 2000, increasing market demand for occupancy at the facility has necessitated the establishment of a substantial residency waiting list.

As a result of this heightened call for residential units, the Company started the development of "Village Square" in July 2001 as an extension of the existing Langley Gardens Community. The new project will include 56 independent living rental residential units and 36 assisted living residential units with enhanced services. The new residences will occupy three storeys of a built-to-purpose four storey concrete building, atop approximately 20,000 square feet of commercial retail and medical services storefronts on the ground floor and one level of underground parking. Completion of this new operating facility is scheduled for October 2002.

The Company is strategically planning to strengthen its portfolio of properties through the acquisition of existing facilities and the development of new communities. The Company's ability to respond quickly to well-thought-out and practical changes in the industry, combined with its development, operational and marketing acumen has led the Company to a position of strength from which it may meet the demands of today's vibrant seniors and the continuing need for high-quality long-term care facilities.

The overall business strategy of the Company is to provide both a flexible and wide range of services to its elderly clients, including independent living, congregate living, assisted living, and multi-level care. At the flagship property, Crescent Gardens, the Company introduced the concept of combining the operation of retirement communities with strata-titled residential developments, whereby clients are given the opportunity to purchase condominium units and acquire a package of services offered by the facility. The Company has further implemented this "Aging in Place" concept at other long-term care facilities that it developed or acquired and may continue to follow this model of operation in the future. Langley Gardens and Village Square are typical examples of this trend.

Revenue

Gross revenue for the fiscal year was $28.5 million, an increase of $2.1million over the preceding year of $26.4 million. This increase in revenue includes the full year's operating revenue from Langley Gardens, which commenced operations in October 2000.

Operating Costs

An operating income of $5.04 million (2001 - $4.7 million) before fixed charges, interest and general administrative expenses was achieved after deducting an operating cost of $23.4 million from revenue of $28.5 million. This represents an increase of 7.2% in operating income over the preceding year.

The Company's new development "Village Square" will be in operation upon its completion in October 2002. Once operation stabilization is realized, the new project will generate approximately $1.9 million (the Company's share - $0.95 million) of annual operating income to the Company.

The Company continues to review its existing operational and financial procedures and practices to ensure operating efficiencies and the best utilization of practice systems, which will lead to improvements of overall operating margins. Besides, the Company is anticipating additional capacity from its expansion program, in order to achieve greater fixed cost absorption as well as decrease in variable operating expenses on a per bed / suite basis.

General and Administrative Expenses

General and administrative expenses for the fiscal year are maintained at 3.9% of gross revenue (2001 - 3.9%), which are within the industry average of five percent. According to the Company's growth strategy, the Company expects that these expenses will be increased marginally as further properties are added to its portfolio, and that the percentage of expenses over gross revenue will be decreased as a result of the increase in gross revenue by adding new properties.

The ongoing administrative strategies applied at both head office and the facilities include the use of state-of-the-art technology and equipment, integrated management reporting, and management information system, which enable the Company to improve the effectiveness in the management of its operations.

Income taxes

On April 1, 2000, the Company adopted the liability method of accounting for income taxes and applied the change on a retroactive basis without restatement of the prior year's financial statements. The effect of this change on the opening financial statements as at April 1, 2000 was increasing the

opening deficit, future income tax asset and future income tax liability by $2.7 million, $1.2 million, and $3.6 million respectively, and decreasing the unamortized goodwill related to Malaspina Gardens by $0.25 million.

Financial Resources and Liquidity

During the year, the Company obtained a financing of $1.2 million through the issuance of unsecured convertible debentures at the interest rate of 8.5% per annum. The debentures are convertible at the holder's option into common shares of the Company at $2.15 per share.

During the year, the Company had refinanced the first mortgage facility of Langley Gardens to $15.0 million (the Company's share - $7.5 million).

The Company believes that its existing working capital together with its consistent cash in-flow from operations, proceeds from sale of condominiums and other available sources of financing, will be sufficient for Company's ongoing capital expenditures and working capital requirements.

Sales of Property held for Future Development

During the year, the Company entered into a contract with an arm's length purchaser to sell the property in Kelowna, B.C. for $3,500,000 subject to financing, re-zoning, completion of Development Permit by the purchaser. As at March 31, 2001, the Company had reduced the carrying value of the property to $2,900,000, and the carrying costs subsequent to March 31, 2001 have been charged directly to deficits. The property is under a demand non-revolving loan of $1.5 million.Cash of $100,000 has been pledged as part of the security of the loan.

Environmental Policy

The Company has an environmental policy in place which is applicable to any acquisitions, constructed properties, and day-to-day operations. This policy has been implemented out of regard for the safety and well being of the properties' residents, as well as concern about maintaining the on-going value of the properties themselves.

Business Risks

INTEREST: The Company has been able to acquire or refinance properties at favorable interest rates, and where possible, has insured mortgages with CMHC, which will allow the Company to renew mortgages at very favorable rates during the amortization period of the original debt. In the few select cases of debt with high interest rates, the terms have been kept as short as possible.

BUSINESS: Like any similar organization, the Company faces competition for residents. To diminish this competition, the Company exhaustively studies demographic reports in order to acquire or develop properties in what the research deems to be the best possible geographic location. In addition, financial pro-formas are prepared in such a manner as to ensure that rents and building costs are synchronized in order to produce an appropriate rate of return on investment for each property.

Auditors' Report To The Shareholders of CPAC (Care) Holdings Ltd.

We have audited the consolidated balance sheet of CPAC (Care) Holdings Ltd. as at March 31, 2002 and the consolidated statements of operations, shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied on a consistent basis.

The consolidated financial statements of the Company as at March 31, 2001 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those financial statements in their report dated May 22, 2001.

Deloitte & Touche LLP

Chartered Accountants
Vancouver, British Columbia
June 3, 2002

Management's Responsibility for Financial Information

The information and representations in this annual report have been prepared by the management of the Company. The consolidated financial statements have been prepared in conformity with Canadian generally accepted accounting principles and, where appropriate, reflect management's best estimates and judgements. A system of internal accounting controls is maintained to provide reasonable assurance that financial information is accurate and reliable.

The Company's independent auditors, who are appointed by the shareholders, conduct an audit in accordance with Canadian generally accepted auditing standards for the purpose of expressing their opinion on the consolidated financial statements. The Board of Directors' Audit Committee meets periodically with management to review accounting, internal accounting controls and financial reporting matters.

This annual report has been approved by the Board of Directors.

Patrick W.S. Shum, Chief Financial Officer
June 3, 2002

CPAC (CARE) HOLDINGS LTD.
Consolidated Balance Sheets
March 31, 2002

Assets

	2002	2001
PROPERTIES		
Revenue-producing (Note 3)	$ 47,819,208	$ 49,191,724
Under development (Note 4)	4,118,947	-
Held for future development (Note 5)	5,410,878	5,374,140
Held for sale	83,214	502,717
	57,432,247	55,068,581
CASH	2,330,286	4,240,880
RESTRICTED CASH	329,554	100,000
DEFERRED PRE-OPERATING COSTS, net of accumulated amortization of $568,712 (2001 - $409,360)	228,048	387,400
DEFERRED FINANCING COSTS, net of accumulated amortization of $568,897 (2001 - $292,091)	557,871	766,740
GOODWILL, net of accumulated amortization of $363,249 (2001 - $292,715)	342,095	412,629
FUTURE INCOME TAXES (Note 13)	1,206,206	1,206,206
OTHER (Note 6)	818,908	822,324
	$ 63,245,215	$ 63,004,760

Liabilities

	2002	2001
DEBT ON PROPERTIES (Note 7)	$ 49,150,786	$ 48,153,815
CONVERTIBLE DEBENTURES (Note 8)	2,056,706	946,218
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	3,346,708	2,435,244
CAPITAL LEASE OBLIGATIONS (Note 9)	631,783	902,339
OTHER ACCRUED LIABILITIES (Note 10)	1,161,987	1,553,497
FUTURE INCOME TAXES (Note 13)	2,359,646	2,359,646
	58,707,616	56,350,759

COMMITMENTS (Note 14)

Shareholders' Equity

	2002	2001
Share capital (Note 11)	13,383,080	13,396,301
Equity component of convertible debentures (Note 8)	133,846	34,062
Deficit	(8,979,327)	(6,776,362)
	4,537,599	6,654,001
	$ 63,245,215	$ 63,004,760

APPROVED BY THE DIRECTORS

Director

Director

See accompanying Notes to the Consolidated Financial Statements.

CPAC (CARE) HOLDINGS LTD.
Consolidated Statements of Operations
Year ended March 31, 2002

	2002	2001
OPERATING REVENUES	$ 28,480,581	$ 26,350,626
OPERATING EXPENSES		
Salaries and benefits (Note 10)	19,194,937	17,617,732
Supplies	1,911,109	1,861,719
Property taxes and strata fees	599,928	455,658
Purchased services	597,791	598,031
Utilities	456,862	411,871
Administration	455,491	460,553
Repairs and maintenance	179,063	209,704
Marketing	47,651	34,627
	23,442,832	21,649,895
	5,037,749	4,700,731
AMORTIZATION		
Revenue-producing properties	(2,043,409)	(1,861,007)
Deferred financing costs	(287,080)	(292,510)
Deferred pre-operating costs	(159,351)	(145,238)
Goodwill	(70,534)	(70,534)
	(2,560,374)	(2,369,289)
INTEREST ON LONG-TERM OBLIGATIONS	(3,680,364)	(3,209,091)
GENERAL AND ADMINISTRATIVE EXPENSES	(1,122,399)	(1,034,187)
INCOME FROM PROPERTIES HELD FOR SALE (Note 17)	42,067	444,978
PROJECT CONSULTING FEES	185,500	45,500
WRITE-OFF OF FINANCING COSTS ON REDEMPTION OF CONVERTIBLE DEBENTURES (Note 9)	-	(857,255)
WRITE-DOWN OF PROPERTY HELD FOR FUTURE DEVELOPMENT	-	(632,371)
	(7,135,570)	(7,611,715)
LOSS BEFORE INCOME TAXES	(2,097,821)	(2,910,984)
RECOVERY OF (PROVISION FOR) INCOME TAXES (Note 13)		
Current	(103,000)	(190,000)
Future	-	1,659,281
	(103,000)	1,469,281
NET LOSS	$ (2,200,821)	$ (1,441,703)
LOSS PER COMMON SHARE - basic and diluted	$ (0.09)	$ (0.06)
WEIGHTED AVERAGE NUMBER OF SHARES	24,314,641	24,326,802

See accompanying Notes to the Consolidated Financial Statements.

CPAC (CARE) HOLDINGS LTD.
Consolidated Statements of Shareholders' Equity
Year ended March 31, 2002

	Number of Shares	Share Capital	Equity Component of Convertible Debentures	Deficit	Total
Balance at March 31, 2000	24,337,955	$ 13,405,388	$ 135,616	$(2,629,801)	$ 10,911,203
Effect of change in accounting for future income taxes (Note 13)		-	-	(2,695,583)	(2,695,583)
Balance at March 31, 2000 as restated	24,337,955	13,405,388	135,616	(5,325,384)	8,215,620
Net loss for the year		-	-	(1,441,703)	(1,441,703)
Issuance of convertible debentures (Note 9)		-	34,062	-	34,062
Redemption of convertible debentures (Note 9)		-	(135,616)	-	(135,616)
Redemption of shares (Note 11)	(16,500)	(9,087)	-	(9,275)	(18,362)
Balance at March 31, 2001	24,321,455	13,396,301	34,062	(6,776,362)	6,654,001
Net loss for the year		-	-	(2,200,821)	(2,200,821)
Issuance of convertible debentures (Note 9)		-	99,784	-	99,784
Redemption of shares (Note 11)	(24,000)	(13,221)	-	(2,144)	(15,365)
Balance at March 31, 2002	24,297,455	$ 13,383,080	$ 133,846	$(8,979,327)	$ 4,537,599

See accompanying Notes to the Consolidated Financial Statements.

CPAC (CARE) HOLDINGS LTD.
Statements of Cash Flows
Year ended March 31, 2002

	2002	2001
OPERATING ACTIVITIES		
Net loss	$ (2,200,821)	$ (1,441,703)
Items not affecting cash		
Amortization	2,560,374	2,369,289
Write-off of financing costs on redemption of convertible debentures	-	857,255
Write-down of property held for future development	-	632,371
Future income taxes	-	(1,659,281)
	359,553	757,931
Changes in non-cash operating accounts		
Accounts receivable	(6,944)	(82,906)
Supplies inventory	16,232	19,968
Prepaid expenses and deposits	(51,582)	(163,734)
Accounts payable and accrued liabilities	689,332	479,503
Other accrued liabilities	(391,510)	112,316
	615,081	1,123,078
INVESTING ACTIVITIES		
Properties under development	(3,715,968)	(2,121,071)
Revenue-producing properties	(432,236)	(282,873)
Properties held for future development	(36,738)	(357,616)
Deposits	45,710	(197,002)
Deferred pre-operating costs	-	(136,455)
	(4,139,232)	(3,095,017)
FINANCING ACTIVITIES		
Net proceeds on convertible debentures	1,200,000	976,000
Mortgage proceeds	1,671,208	17,574,846
Mortgage repayments	(674,238)	(7,788,480)
Repayment of capital lease obligations	(270,556)	(1,739)
Restricted cash	(229,554)	457,638
Redemption of common shares	(15,365)	(18,362)
Deferred financing costs	(67,938)	(681,458)
Redemption of convertible debentures	-	(5,985,000)
	1,613,557	4,533,445
(DECREASE) INCREASE IN CASH	(1,910,594)	2,561,506
CASH, BEGINNING OF YEAR	4,240,880	1,679,374
CASH, END OF YEAR	$ 2,330,286	$ 4,240,880
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	$ 3,399,372	$ 2,959,676
Income taxes paid	$ 198,247	$ 49,361

See accompanying Notes to the Consolidated Financial Statements.

C Pac

1. OPERATIONS

CPAC (Care) Holdings Ltd. ("CPAC" or the "Company") was incorporated on May 24, 1995 under the Canada Business Corporation Act. Its current business is the development, operation, and sale of retirement care facilities which include Crescent Gardens, Malaspina Gardens, Arranglen Gardens, Carlton Gardens and Langley Gardens.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

These consolidated financial statements include:

(i) the accounts of the Company and its wholly-owned subsidiaries:

CPAC (Crescent Gardens) Inc. ("Crescent Gardens");
CPAC (Care) Management Inc. ("CPAC Management");
CPAC (Malaspina Gardens) Inc. ("Malaspina Gardens");
CPAC (Arranglen Gardens) Inc. ("Arranglen Gardens");
CPAC (Langley Gardens) Holdings Inc. ("Langley Holdings");
CPAC (Lakeview Gardens) Inc. ("Lakeview Gardens");
CPAC (Carlton Gardens) Inc. ("Carlton Gardens");
CPAC (Fairway Gardens) Inc. ("Fairway Gardens"); and
Senior Lifestyles Services Inc.

(ii) the Company's interest in joint ventures, which are accounted for on the proportionate consolidation basis:

CPAC (Langley Gardens) Inc. (50%); and
CPAC (Langley Gardens) Limited Partnership (50%).

All significant intercompany transactions have been eliminated.

(b) Revenue-producing properties

Revenue-producing properties are stated at cost. Amortization of buildings is provided on a straight-line basis at an annual rate of 2% to 5%. Amortization of other assets is provided on a declining-balance basis at the following annual rates:

Furniture and fixtures	20%
Other	20% - 30%

(c) Properties under development

Properties under development are carried at the lower of capitalized cost and net realizable value. Cost includes the cost of land, construction costs, interest and other carrying costs, and other direct costs associated with the development.

(d) Properties held for future development

Properties held for future development are carried at the lower of capitalized cost and net realizable value. Cost includes the cost of land, interest and other carrying costs, and other direct costs associated with the development.

(e) Properties held for sale

Strata units within Langley Gardens that are held for sale are valued at the proportional amount of land and development costs based on aggregate square footage of the premises. Properties held for sale are recorded at the lower of this cost and net realizable value.

(f) Restricted cash

Restricted cash comprises cash pledged as security for a loan (see Note 7), amounts supporting letters of credit and contractors' lien holdbacks.

(g) Deferred pre-operating costs

Deferred pre-operating costs of a constructed facility represent costs incurred subsequent to completion of construction but prior to full operation of the facility, and are amortized over five years on a straight-line basis.

(h) *Deferred financing costs*

Costs directly related to obtaining financing are deferred and amortized over the term of the related debt.

(i) *Goodwill*

Goodwill represents the excess of the purchase price over the fair value of net identifiable assets. Amortization is provided on the straight-line method over 10 years. The Company determines the recoverable value of its goodwill at each balance sheet date based upon estimated future operating cash flows over the balance of the amortization period.

(j) *Supplies inventory*

Inventory consists of food supplies, which are recorded at the lower of cost and replacement cost.

(k) *Convertible debentures*

Upon issuance, convertible debentures are classified into their financial liability and equity components. The financial liability component represents the present value of future principal and interest payments. The equity component represents the value ascribed to the holders' option to convert the principal balance into common shares. The financial liability is accreted to the amount due at maturity by way of a charge to operations.

(l) *Employee future benefits*

The Company provides certain pension benefits to eligible participants upon retirement. These benefits are provided on a defined contri bution basis. The pension benefits expense recognized for the year ended March 31, 2002 is $249,592 (2001 - $274,766).

Employees belonging to the Hospital Employee Union are entitled to severance pay and a payout of 40% of accumulated sick pay benefits after 10 years of service under certain conditions of employment termination or on retirement. The Company accrues its obligations for these post-employment benefits and the related costs. The cost of post-employment benefits is actuarially determined using the projected accrued benefit cost method using management's assumptions. Any resulting net actuarial gain (loss) is recognized in operations in the current period (see Note 10).

(m) *Revenue recognition*

Revenue from strata unit sales is recognized when the purchaser is entitled to possession and closing funds have been received.

Operating revenues comprise rentals and care services, and are recognized on a monthly basis.

Operating revenue for a constructed facility is recognized when the facility is operational and a satisfactory level of occupancy has been attained.

(n) *Income taxes*

The Company accounts for income taxes under the liability method. Under this method, temporary differences arising from the difference between the tax basis of an asset or a liability and its carrying amount on the balance sheet are used to calculate future income tax assets or liabilities. Future income tax assets or liabilities are calculated using tax rates anticipated to be in effect when the temporary differences are expected to be realized or settled. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized. The effect of a change in income tax rates on future income tax assets and liabilities is recognized in income in the period that the change occurs.

(o) *Loss per share*

Effective April 1, 2001, on a retroactive basis, the Company adopted the treasury stock method for calculation of loss per share as recommended by the Canadian Institute of Chartered Accountants. Basic loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated to show the dilutive effect of an outstanding stock option and warrant being exercised. This change in policy had no impact on the loss per share for the current or previous year.

(p) *Stock-based compensation plans*

The Company has two stock-based compensation plans, which are described in Note 11. No compensation expense is recognized for these plans when stock or stock options are issued to employees or directors. Any consideration paid by employees or directors on exercise of stock options or purchase of stock is credited to share capital. If stock or stock options are repurchased from employees or directors, the excess of the consideration paid over the carrying amount of the stock or stock option canceled is charged to deficit.

(q) *Use of estimates*

The preparation of the consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(r) *Comparative figures*

Certain of the prior year figures have been reclassified to conform to the current year presentation.

3. REVENUE-PRODUCING PROPERTIES

		2002		2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 9,332,114	$ -	$ 9,332,114	$ 9,310,144
Buildings	40,975,716	4,703,226	36,272,490	37,373,147
Furniture and fixtures	1,904,410	950,526	953,884	1,148,328
Other	2,328,115	1,067,395	1,260,720	1,360,105
	$ 54,540,355	$ 6,721,147	$ 47,819,208	$ 49,191,724

During the year, revenue-producing properties were acquired at an aggregate cost of $670,892 (2001 - $8,214,873), of which $81,387 (2001 - $278,428) was acquired by means of capital leases.

Included in revenue-producing properties at March 31, 2002 are assets under capitalized leases with a net book value of $765,358 (2001 - $875,705).

4. PROPERTIES UNDER DEVELOPMENT

	2002	2001
Land	$ 1,019,000	$ -
Construction and development costs	3,068,245	-
Interest	31,702	-
	$ 4,118,947	$ -

5. PROPERTIES HELD FOR FUTURE DEVELOPMENT

	2002	2001
Land	$ 4,992,586	$ 5,159,074
Construction and development costs	393,504	200,087
Property taxes	24,788	14,979
	$ 5,410,878	$ 5,374,140

6. OTHER

	2002	2001
Accounts receivable	$ 327,121	$ 320,177
Supplies inventory	50,379	66,611
Prepaid project costs	45,234	90,944
Prepaid expenses and deposits	396,174	344,592
	$ 818,908	$ 822,324

7. DEBT ON PROPERTIES

	2002	2001
First mortgages		
Mortgage bearing interest at 7.05%, repayable in monthly blended payments of $61,843, secured by a Canada Mortgage and Housing Corporation ("CMHC") insured first mortgage on assets of Malaspina Gardens, and due December 1, 2005	$ 8,619,823	$ 8,757,738
Mortgage bearing interest at 6.13%, repayable in monthly blended payments of $63,352, secured by a CMHC insured first mortgage debenture over the assets of Crescent Gardens, a security agreement registered under the B.C. Personal Property Security Act, an assignment of rents, an assignment of insurance policies, a general assignment of any permits, licenses, and income due from the provincial government and personal covenants of certain shareholders who are also officers of the Company, and due April 1, 2003	10,636,725	10,749,245
Mortgage bearing interest at 6.875% on 46.2% of the principal and 6.76% on the balance, repayable in monthly blended payments of $46,460, secured by a CMHC insured first mortgage debenture over the assets of Langley Gardens, due May 1, 2011	7,457,223	7,031,652
Mortgage bearing interest at 6.55%, repayable in monthly blended payments of $40,046, secured by a CMHC insured first mortgage on the assets of Arranglen Gardens, and due October 1, 2008	5,586,008	5,701,495
Balance carried forward	32,299,779	32,240,130

7. DEBT ON PROPERTIES (Continued)

	2002	2001
Balance brought forward	32,299,779	32,240,130
First Mortgage (Continued)		
Mortgage secured by a collateral first mortgage against the assets of Carlton Gardens and two vacant lots held for future development, a general security agreement registered under the B.C. Personal Property Security Act and an assignment of insurance policies, and due December 1, 2002		
Bearing interest at 6.78% and repayable in monthly blended payments of $53,099	6,589,679	6,781,667
Bearing interest at 7.52% and repayable in monthly blended payments of $21,480	2,597,872	2,668,518
	41,487,330	41,690,315
Second mortgages		
Mortgage bearing interest at 12.5%, calculated daily, compounded and payable monthly for interest only. One month prior to maturity date, the interest rate will increase to 18%. The loan is secured by a second fixed charge over the assets of Crescent Gardens, and due May 1, 2003	4,113,500	4,113,500
Mortgage bearing interest at 12.5%, calculated daily, compounded and payable monthly for interest only, secured by a second mortgage debenture over the assets of Arranglen Gardens, as well as any permits, licenses or goodwill associated with the ongoing operation of the property, and due December 1, 2002	850,000	850,000
	4,963,500	4,963,500
Demand loans		
Non-revolving demand loan bearing interest at prime plus 1% secured by a $1,500,000 promissory note, a $20,000,000 demand mortgage on the property in Kelowna, B.C. and an assignment of rents on that property. Cash of $100,000 has been pledged as security for the loan	1,500,000	1,500,000
Balance carried forward	1,500,000	1,500,000

7. DEBT ON PROPERTIES (Continued)

	2002	2001
Balance carried forward	1,500,000	1,500,000
Demand loans (continued)		
Construction loan consisting of a $10,000,000 uncommitted demand non-revolving construction loan and a $118,000 uncommitted bank guarantee facility with HSBC at bank prime rate plus 1.25%. The construction loan is secured by promissory notes, a $11,000,000 demand mortgage, first ranking specific assignment of rents, first fixed security interest over all present and after acquired personal properties of Village Square and a floating charge over land, a $750,000 demand collateral mortgage, security over cash, credit balances and deposit instruments, and priority agreement from each of Canada Life Mortgage Services Ltd. and Peoples Trust Company. The bank guarantee facility is secured by cash, credit balances and deposit instruments totaling $118,000	1,199,956	-
	2,699,956	1,500,000
	$ 49,150,786	$ 48,153,815

Minimum principal repayments for the next five years, assuming that the mortgages will be renewed under similar terms, are as follows:

2003	$ 731,409
2004	770,805
2005	795,234
2006	820,824
2007	838,856

8. CONVERTIBLE DEBENTURES

On November 15, 2000, the Company redeemed all of the outstanding convertible debentures of $5,985,000 for cash and wrote off related unamortized financing costs of $857,255. On this date, the Company also obtained financing of $1,027,368 through the issuance of unsecured convertible debentures which bear interest at 8.5%, calculated and paid quarterly. The debentures mature on November 15, 2005 but are convertible at the holder's option into common shares any time before maturity at a price of $2.15.

During the year ended March 31, 2002, the Company obtained further financing of $1,200,000 through the issuance of unsecured convertible debentures which bear interest at 8.5%, calculated and paid quarterly. The debentures mature on October 3, 2006 but are convertible at the holder's option into common shares any time before maturity at a price of $2.15.

	2002	2001
Face value	$ 2,227,368	$ 1,027,368
Unamortized discount	(36,816)	(47,088)
	2,190,552	980,280
Value of equity component	(133,846)	(34,062)
	$ 2,056,706	$ 946,218

9. CAPITAL LEASE OBLIGATIONS

Minimum payments on the capital lease obligations are as follows:

2003	$ 382,884
2004	200,254
2005	85,640
2006	20,129
	688,907
Imputed interest of approximately 9%	(57,124)
	$ 631,783

Interest in 2002 on the capital lease obligations amounted to $68,908 (2001 - $80,197).

10. OTHER ACCRUED LIABILITIES

As at March 31, 2002, other accrued liabilities include $1,117,800 (2001 - $1,523,814) of accrued benefits obligation related to employee future benefits.

The following employee future benefits information related to sick and severance is applicable for the year ended March 31, 2002:

Expense	
Current service cost	$ 71,100
Interest cost	73,200
Net expense	$ 144,300
Accrued benefits obligation, beginning of year	$ 1,523,814
Expense for the year	144,300
Actuarial (gain) loss	(550,314)
Accrued benefits obligation, end of year	$ 1,117,800

Significant actuarial assumptions used in determining the Company's accrued benefits obligation are as follows:

Discount rate	7.0%
Rate of compensation increase	3.0%
Average remaining service life	8 years

For the year ended March 31, 2002, salaries and benefits include $550,314 (2001 - $Nil) of actuarial gain related to these benefits.

11. SHARE CAPITAL

The Company's authorized capital consists of an unlimited number of common shares and Class A preferred shares, both without par value.

(a) *Issued, outstanding and redemption*

On October 1, 1996, CPAC resolved to issue 2,000,000 common shares at $0.01 per share to four directors. On July 8, 1997, an escrow agreement was executed in respect of these shares. These shares will be released from escrow on the basis of one share for each $0.041334 of cumulative cash flow generated by the Company or cancelled if not released by June 15, 2008.

During the year ended March 31, 2001, the Company redeemed 16,500 common shares at a price ranging from $0.80 to $1.55 per share. The excess of the redemption price over the assigned value of the shares of $9,275 was charged directly to deficit.

During the year ended March 31, 2002, the Company redeemed 24,000 common shares at a price ranging from $0.60 to $0.80 per share. The excess of the redemption price over the assigned value of the shares of $2,144 was charged directly to deficit.

(b) *Stock options*

The Company has two stock option plans for employees and directors, the details of which are as follows:

	2002		2001	
	Options	**Weighted-Average Exercise Price**	**Options**	**Weighted-Average Exercise Price**
Outstanding, beginning of year	1,045,000	$ 1.50	954,000	$ 1.50
Issued	385,000	0.60	310,000	1.50
Cancelled	(5,000)	1.50	(219,000)	1.50
Exercisable at end of year	1,425,000	1.26	1,045,000	1.50

The following table summarizes information about the stock options outstanding at March 31, 2002:

	Options Outstanding and Exercisable		
Exercise Prices	**Number Outstanding and Exercisable**	**Weighted-Average Remaining Contractual Life (in years)**	**Weighted-Average Exercise Price**
$ 0.60	385,000	5.0	$ 0.60
1.50	1,040,000	1.5	1.50
	1,425,000		

12. JOINT VENTURE

The Company and Rieding Projects Ltd. ("Rieding") formed a limited partnership, CPAC (Langley Gardens) Limited Partnership (the "Joint Venture") for the development and operation of Langley Gardens in which each has a 50% interest. Each party also has a 50% interest in CPAC (Langley Gardens) Inc., the General Partner. The following amounts represent the Company's proportionate interest in the Joint Venture:

	2002	2001
Balance sheets		
Assets	$ 12,602,408	$ 9,804,438
Liabilities	9,755,242	7,625,526
Company's share of net assets	$ 2,847,166	$ 2,178,912
Statements of operations		
Operating revenue and income from property sales	$ 3,500,156	$ 1,994,786
Expenses	3,639,476	1,604,403
Company's share of (loss) profit	$ (139,320)	$ 390,383
Statements of Cash Flows		
Operating activities	$ 952,714	$ 784,104
Investing activities	(3,164,300)	(2,245,456)
Financing activities	1,014,232	2,808,866
(Decrease) increase in cash	(1,197,354)	1,347,514
Cash (bank indebtedness), beginning of year	1,344,845	(2,669)
Cash, end of year	$ 147,491	$ 1,344,845

The Company, along with Rieding, is jointly liable for all debts of the Joint Venture.

13. INCOME TAXES

In accordance with accounting recommendations of the Canadian Institute of Chartered Accountants, on April 1, 2000, the Company adopted the liability method of accounting for income taxes. The recommendations have been applied retroactively without restatement of the prior year's financial statements. The effect of this change on the opening financial statements as at April 1, 2000 was to increase (decrease) the following:

Future income tax asset	$ 1,170,437
Goodwill	(246,860)
Future income tax liability	3,619,160
Retained earnings	(2,695,583)

The components of the future income tax asset and liability are as follows:

	2002	2001
Future tax asset		
Non-capital losses (net of valuation allowance of $700,000; 2001 - $Nil)	$ 1,206,206	$ 1,206,206
Future tax liability		
Properties	2,359,646	2,359,646

Income tax expense for the years represents income taxes at an effective rate which differs from combined statutory rates of tax as follows:

	2002	2001
Recovery of income taxes at statutory rates	(45.0%)	(45.0%)
Large corporation tax	4.1%	2.1%
Losses of subsidiaries not recognized	45.9%	-
Recognition of future income tax rate reduction	-	(7.6%)
	5.0%	(50.5%)

14. COMMITMENTS

(a) *Langley Gardens Expansion Project*

During the year, the Joint Venture entered into a construction contract in the amount of $9.6 million (the Company's proportionate share is $4.8 million) for the expansion of the current Langley Gardens facility. In addition, the Joint Venture has provided letters of credit in the amount of $98,100 (the Company's proportionate share is $49,050) to the Township of Langley as part of its obligation in connection with the expansion of the facility.

(b) *Business venture*

During the year ended March 31, 2001, a letter of intent to form a limited partnership (the "Partnership") was signed by the Company (50% interest), Rieding (25% interest), the Benchmark Group of Companies (25% interest) (together constituting the general partner ("Developer")) and the Langley Memorial Hospital Foundation (constituting the limited partner ("LMHF")), to construct a multi-level care facility on lands currently held by LMHF in the Township of Langley.

Upon signing this letter of intent, the Developer paid a non-refundable deposit of $75,000 (the Rezoning Fund) into the trust account of LMHF's lawyer to fund costs as they are incurred.

Upon completion of subdivision and rezoning process, the project will comprise 150 licensed care beds, 175 congregate care suites and 94 independent living condominiums.

As its contribution to the Partnership, LMHF intends to transfer approximately eight acres of land to the Partnership at $425,000 per acre, on a phased basis, in return for a 50% interest in the Partnership and 50% of the income from the proposed development.

In turn, the Developer will make a cash equity payment contribution equivalent to the value of the land vended into the Partnership by LMHF subject to the granting of funding by the Health Region for 150 multi-level care beds.

(c) *Leases*

The Company has a three-year lease agreement for office premises at a base rent of $40,800 per annum on a triple net basis, with City Group Holdings Ltd., a company controlled by the president and chief executive officer. The lease expires on January 31, 2003.

(d) *Service contracts*

The Company is committed to management services agreements totaling approximately $298,800 per annum for an indefinite period with certain directors and/or officers.

15. RELATED PARTY TRANSACTIONS

During the year, related party transactions with companies controlled by shareholders, some of whom are also officers and/or directors of the Company, were as follows:

	2002	**2001**
Capitalized to property under development		
Consulting fees	$ 70,000	$ 25,000
Expensed		
Management services agreements	156,000	154,500
Rent	40,800	40,800

During the year, the Company incurred legal fees approximating $58,000 (2001 - $71,000) with a legal firm in which a director is a partner.

These transactions were in the normal course of operations and under normal trade terms, and are recorded at amounts as agreed by the related parties.

16. FINANCIAL INSTRUMENTS

(a) *Credit risk and concentration of revenue*

The Company's exposure to credit risks is indicated by the carrying amounts of its accounts receivable.

During year ended March 31, 2002, the Company received approximately 85% (2001 - 85%) of its operating revenues for the five facilities from grants provided by the Provincial Ministry of Health. The remainder is derived from private pay residents.

The Company must meet building guidelines and standards of service which comply with the licensing requirements under the Community Care Act to qualify for provincial government funding. The operating revenues which are funded by the Ministry of Health are based on care requirements and financial means assessment for each resident. Licensing and grants are subject to review annually.

(b) *Interest rate risk*

All of the Company's financial assets and liabilities are non-interest bearing except cash which earns a floating interest rate; and mortgages payable, capital lease obligations and convertible debentures which bear interest as described in Notes 7, 8, and 9, respectively.

(c) *Fair values of financial assets and liabilities*

The carrying values of cash, accounts receivable, and accounts payable and accrued liabilities approximate their fair values, given the short term to maturity of these instruments.

Management has determined that the carrying values of the debt on properties, convertible debentures and capital lease obligations approximate their fair value, based on comparison with similar instruments in the marketplace.

17. SEGMENTED INFORMATION

Currently, the Company operates in two industry segments: one where it owns and operates five retirement facilities, and another where it develops properties for sale, all located in British Columbia.

For the year ended March 31, 2002

	Development and Ownership of Income-Producing Properties	**Development and Sale of Properties**	**Other**	**Total**
Operating revenue	$ 28,480,581	$ -	$ -	$ 28,480,581
Management fees	-	-	185,500	185,500
Interest income	-	-	103,143	103,143
Interest expense	3,680,364	-	-	3,680,364
Amortization of capital assets and goodwill	2,113,944	-	-	2,113,944
Amortization of deferred pre-operating costs	159,351	-	-	159,351
Property sales	-	241,800	-	241,800
Cost of sales	-	199,733	-	199,733
Segment income (loss) before income taxes	(2,325,388)	42,067	185,500	(2,097,821)
Segments assets	63,162,001	83,214	-	63,245,215
Segment capital expenditures	4,452,784	-	-	4,452,784

17. SEGMENTED INFORMATION (Continued)

For the year ended March 31, 2001

	Development and Ownership of Income-Producing Properties	Development and Sale of Properties	Other	Total
Operating revenue	$ 26,350,626	$ -	$ -	$ 26,350,626
Management fees	-	-	45,500	45,500
Interest income	-	-	114,721	114,721
Interest expense	3,209,091	-	-	3,209,091
Amortization of capital assets and goodwill	1,931,541	-	-	1,931,541
Amortization of deferred pre-operating costs	145,238	-	-	145,238
Property sales	-	3,286,651	-	3,286,651
Cost of sales	-	2,841,673	-	2,841,673
Segment income (loss) before income taxes	(3,401,462)	444,978	45,500	(2,910,984)
Segments assets	61,602,043	1,402,717	-	63,004,760
Segment capital expenditures	8,573,479	-	-	8,573,479

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BOARD OF DIRECTORS AND OFFICERS:

Don H.C. Ho - President, Chief Executive Officer and Director
Mao Jung Hong - Chairman of the Board and Director
Isabella C.K. Ho - Executive Vice-President and Director
Joanne Yan - Executive Vice-President, Secretary and Director
Martin Douglas Howard - Director
Patrick W.S. Shum - Chief Financial Officer

MANAGEMENT TEAM.:

Don H.C. Ho - President, Chief Executive Officer and Director
Isabella C.K. Ho - Executive Vice-President and Director
Joanne Yan - Executive Vice-President, Secretary and Director
Patrick W.S. Shum - Vice President (Financing)
Ian Kent - Vice President (Development)
Amanda List - Vice-President
(Leadership and Organization Development)
Leon Joyal - Vice-President (Operations)
Linda Prout - Vice-President (Marketing)

SOLICITORS:

Clark, Wilson
800 - 885 West Georgia Street, Vancouver, B.C.

BANKS:

HSBC Bank Canada & TD Bank

REGISTER AND TRANSFER AGENT:

Pacific Corporate Trust Company,
10th. Floor, 625 Howe Street, Vancouver, B.C.

STOCK EXCHANGE:

Canadian Venture Exchange
Trading Symbol - CPK.V

AUDITOR:

Deloitte & Touche LLP
2100 - 1055 Dunsmuir Street, Vancouver, B.C.

ANNUAL MEETING:

August 28th, 2002

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